LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL
CALL FOR VIEWS

SUBMISSION FROM SOUTH LANARKSHIRE COUNCIL

Section 1 sets out the Scottish Government’s target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040.

1. Do you agree with the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040. Please explain your reason why. For example, is the statutory target necessary? Is the target ambitious enough? Is it realistic and achievable?

The ambition appears to be tempered by assumptions that there will remain a proportion of households with very minimal basic income and there will continue to be minimum costs associated with fuel consumption. Whilst this may be achievable, further consideration could be given regarding the ambition in relation to infrastructure investments in low and zero carbon energy generation and potential for significantly reducing the unit cost of fuel.

Section 2 makes provision for a proposed definition of fuel poverty which calculates the proportion of household income required to maintain a satisfactory level of heating and assesses the extent to which households can then maintain an “acceptable standard of living” once housing and fuel costs are deducted.

2. Do you agree with the Scottish Government’s proposals for a revised definition of fuel poverty? Please explain your reasons why. For example, will the new definition ensure that the Scottish Government will focus their efforts on those with the greatest need?

It strikes the right balance between home energy costs and household income.

Sections 3-5 requires the Scottish Government to publish a fuel poverty strategy within a year of Section 3 of the Bill coming into force. It requires them to consult on the strategy, which must include individuals who are living, or have lived, in fuel poverty.

3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy?

Yes.
4. A draft fuel poverty strategy was published alongside the Bill on 27 June. Do you have any views on the extent to which the measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will contribute to meeting the Government’s new target? Have lessons been learned from previous initiatives?

There are four drivers of Fuel Poverty:

- Household income
- Building energy efficiency (performance)
- Consumption/use behaviours
- Fuel costs

Issues around the third driver – need to be an important part in the Fuel Poverty Strategy. Measures to impact on demand can sometimes be overlooked through a focus on supply or on physical activity but if the energy behaviours of households are not influenced this can still result in them experiencing the effects of fuel poverty through the non-transformation of their behaviours. This requires the provision of advice and support to householders on ways to save energy that they can understand – and with many of these households this may require face to face interactions rather than via the phone or a website – and should include measures to improve access to affordable energy, including by switching suppliers.

In terms of local authority approach, currently the LHS is the main plan for reporting on FP and incorporates actions to address three of the four drivers. The main focus is energy performance, however in delivering housing investment programmes we also consider use behaviours and fuel costs. There is an overlap with income maximisation and other ‘tackling poverty’ approaches, however Corporate Plan and Community Plans/LOIPs are the main plans for these as opposed to the LHS. The diagram below provides a basic overview of the drivers and the LHS functions.
The Scottish Government’s has set out its view that previous approaches to tackling fuel poverty were not sufficiently effective as they focused too much on the performance of the built environment. The new definition is intended to change this by setting a income thresholds benchmarked against the UK minimum income standard and considering residual incomes (after housing costs) in determining fuel poverty.

The Equality Impact Assessment for the Bill includes a ‘Table of Characteristics’ at Annex A which shows the comparative differences for estimated Fuel Poverty under the current and new definitions. The main findings are as follows:

- Under the new definition, as at 2016 FP in Scotland is lower, 23.8% compared to 26.5%
- However, there are big variations in terms of age, tenure, location and energy performance:
  - 40.6% of all ‘older households’ (i.e. retired / pensioners) is now 22.8%; whereas households where the age of highest income household is under 35 almost doubles from 60,000 (15.2%) to 112,000 (28.4%)
  - Over 100,000 fewer households in privately owned homes are estimated to be in fuel poverty (decreases from 449,000 (24.5%) to 337,000). However, this is all owned outright homes. FP private rented homes increases by more than 50% (74,000 to 116,000)
  - Estimated 46,000 additional FP households in social rented homes (200,000 (32.1%) to 246,000 (39.6%). Bigger increases in ‘HA / coop’ from 73,000 (27.1%) to 108,000 (40.2%); compared to ‘LA / public’ which only increases 127,000 (35.9%) to 139,000 (39.1%). Suspect the difference may be a Glasgow stock transfer effect.
  - 87,000 fewer homes with EPC bands E-G are estimated to have FP households. This is linked to changes in relation to tenure. Most social rented homes will be EPC Band D or higher.

Despite wanting to rebalance the focus away from built environment (performance), there remains a core objective to eliminate poor energy performance as a driver of fuel poverty and this is closely linked to proposals that are set out in Energy Efficient Scotland Routemap (May 2018) and the consultation on the Energy Efficiency Standard for Social Housing beyond 2020 (EESSH2), both of which set ambitious targets for raising the minimum energy efficiency rating for housing.

There is a parallel driver in terms of climate change and promoting low and zero carbon (LZC) energy. However this works against tackling fuel poverty. Whilst higher EESSH2 rates are estimated to reduce carbon emissions, they are likely to work counter to tackling fuel poverty as the fuel cost savings are less than the rent uplift required to fund the investment (see Danny’s note).

The Fairer Scotland Duty results suggest that the Energy Efficient Scotland Route map approach can build on past success. However, this is counter-intuitive as success was built primarily on taking a ‘building performance’ approach. For example it cites Home Energy Efficiency Programmes for Scotland: Area Based Schemes (HEEPS:ABS). This has worked in terms of targeting areas of SIMD and subsidising owners using Energy Company Obligation (ECO) funds to participate, often required for works to
proceed where properties are adjoined. The installers have predominantly used the carbon Emission reduction obligation (CERO) route in order to qualify private homes for ECO. This route is to be closed from 1st Oct 2018 and so HEEPS:ABS may be harder to deliver when it has to focus on affordable warmth as far fewer owner-occupied households will qualify for ECO support.

Based on the new definition, the estimated households in rented homes that are potentially fuel poor increases from 274,000 (current definition) to 363,000. This has a marked impact on younger households. There is scope for the building energy performance of social rented housing to be further improved, however the investment costs are projected to exceed fuel costs savings and therefore would a negative impact on fuel poverty unless funds other than HRA are made available.

Sections 6-9 require the Scottish Government to report to Parliament every five years on: the measures taken to tackle fuel poverty over the previous five years; progress made towards the 2040 target; and the steps Scottish Ministers propose to take over the next five years to meet the 2040 target.

5. Do you have any views on the Scottish Government’s reporting requirements to the Scottish Parliament, as set out in the Bill?

The proposed reporting periods and the elements to be reported would appear to be appropriate. However, it might be opportune to include a requirement for reports to be submitted outwith this framework should there be, for example, significant changes in the energy market that cause prices to rise significantly or where there are significant impacts on household incomes through economic crises or policy changes in respect of benefits, etc.

The commitment to incorporate in the reporting requirements the lived experience of those in fuel poverty or who have newly entered or left it is to be welcomed.